UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE BOARD OF PATENT APPEALS
AND INTERFERENCES

Ex parte ANTHONY F. HERBST and WAYNE F. PERG

Appeal No. 2006 - 1174
Application No. 09/467,646

ON BRIEF

Before SMITH, NAPPI, and FETTING, **Administrative Patent Judges**.

FETTING, **Administrative Patent Judge.**

DECISION ON APPEAL

This is a decision on appeal under 35 U.S.C. §134 from the examiner's non-final rejection of claims 1 through 51, which are all of the claims pending in this application. At least one claim has been twice rejected, and thus this application is proper for appeal.

We REVERSE and MAKE A NEW GROUND OF REJECTION UNDER 37 CFR § 41.50(b).

BACKGROUND

The appellants' invention relates to a method for operating a customizable investment fund. An understanding of the invention can be derived from a reading of exemplary claim 1, which is reproduced below.

> A computer-aided method for operating a customizable investment fund, the method including the steps of:
>
> receiving, at a central computer, first digital signals from a first computer specifying a custom set of investments for a fund;
>
> receiving, at the central computer, second digital signals from a second computer specifying a custom set of investments for the fund;
>
> generating, at the central computer, digital signals for acquisition of investments consistent with the first digital signals and the second digital signals;
>
> entering transaction data, at the central computer, reflecting the acquisition of said investments; and
>
> outputting a separate accounting for each said set of investments within the fund.

PRIOR ART

The prior art references of record relied upon by the examiner in rejecting the appealed claims are:

Rebane	6,078,904	June 20, 2000 (filed March 16, 1998)

Kenneth M. Morris and Virginia B. Morris (Morris), *Your Guide to Understanding Investing*, Lightbulb Press, 1999.

In addition, we refer to the following art, already of record.

Wallman	6,338,047	January 8, 2003 (filed June 24, 1999)

In addition, we make the following art of record.

Kiron et al. (Kiron)	5,806,048	September 8, 1998
El-Kadi et al. (El-Kadi)	6,014,642	January 11, 2000 (filed May 6, 1996)
Luskin et al. (Luskin)	5,812,987	September 22, 1998
Durbin et al. (Durbin)	4,933,842	June 12, 1990

REJECTIONS

Claims 1, 9-15, 20, 25-36 and 40-44 stand rejected under 35 U.S.C. § 103 as being unpatentable as obvious over Rebane.

Claims 2-8, 16-19, 21-24, 37-39 and 45-51 stand rejected under 35 U.S.C. § 103 as being unpatentable as obvious over Rebane in view of Morris.

Rather than reiterate the conflicting viewpoints advanced by the examiner and appellants regarding the above-noted rejections, we make reference to the examiner's answer (mailed July 1, 2005) for the reasoning in support of the rejection, and to appellants' brief (filed October 27, 2004), supplemental brief (filed November 8, 2004) and reply brief (filed August 29, 2005) for the arguments thereagainst.

OPINION

In reaching our decision in this appeal, we have given careful consideration to appellants' specification and claims, to the applied prior art references, and to the respective positions articulated by appellants and the examiner. As a consequence of our review, we make the determinations that follow.

The appellants argue primarily that Rebane does not describe application of its teachings to the investment fund in all of the claimed subject matter. [See Brief at p. 20] The appellants go on to elaborate that the phrase "investment fund" has a well defined meaning. The appellants argue that

> [A] person having ordinary skill in the art would know that an investment fund is an organization, a company, and based on common usage of the term in the art, for example, in the Investment Company Act of 1940. The Board is welcome to take Official Notice of the Act for a definition of an "investment fund" (as per Applicant's Response filed February 12, 2003). An investment fund is not, as the Examiner continues to mistakenly assert, an investment or a set of investments. [See Brief at p. 22].

This same issue has been argued in two of the related appeals noted in the appeal brief, namely the appeals 2004-0132 (Application Nbr. 09/280,244) and 2004-0511 (Application Nbr. 09/375,817).

The examiner responds that Rebane discloses a computer-aided method for operating a customizable investment fund. The examiner goes on to argue that an investment fund is the same as claimed by the appellant and as taught by Rebane. [See Answer at p. 8].

We note that the exact phrasing referred to by the examiner as it appears in Rebane is

> A computer system and method for optimally allocating **investment funds** of an investor in a portfolio having a plurality of investments, comprising: determining a risk tolerance function for the investor specifying the investor's probability preference at each of a plurality of monetary amounts relative to a monetary range relevant to the investor, and allocating the **investment funds** among the investments to create an investment allocation by maximizing an expected value of a first probability density function of the investor's probability preferences determined as a function of a second probability density function of the portfolio's predicted market performance with respect to the **investment funds** and the investor's risk tolerance function. [See Rebane, Abstract].

As is readily apparent, the phrase "investment fund" does not appear in the text pointed to by the examiner, although the phrase "investment funds" does appear in three instances. We note that the phrase "investment funds" is ambiguous in that it may refer to either the plural of an "investment fund" or to the plural of funds that are applied to investments, just as the word "funds" is ambiguous as referring to either cash, or the plural of fund, which is an account. This distinction is crucial because the appellants argue that the phrase "investment fund", as contrasted with the single word "fund" has a specific meaning as a collective organization. Therefore, we must first ascertain whether the appellants are in fact using the term "investment fund" to mean a collective organization, as the appellants argue, and then determine in which of these two manners Rebane is using the term "investment funds."

In determining the meaning of the disputed claim limitation, we look principally to the intrinsic evidence of record, examining the claim language itself, the written description, and the prosecution history, if in evidence. *Phillips v. AWH Corp.*, 415 F.3d 1303, 75 USPQ2d 1321 (Fed. Cir. 2005) (en banc). The specification provides guidance as to the meaning of "investment fund":

> Investment funds are the vehicle [sic, vehicles] that has [sic, have] allowed virtually all individual investors to efficiently achieve adequate diversification. Investment funds aggregate the investments of large numbers of individual investors, making it possible for individual investors to efficiently invest in a diversified manner. [See Specification at p. 5].
>
> And
>
> For the purposes of the present invention, a fund is a set of investments managed by a central computer. The fund may have any legal form of organization consistent with its purpose (economic viability requires a form of organization such that investment income and gains are not taxed at the fund level but are rather passed untaxed through to the investors in the fund, including forms such as a mutual fund, a trust, a limited liability company or a limited partnership). Title to the securities in the fund may be held by the fund entity or (subject to possible legal constraints) by the respective investors in the fund. [See Specification at p. 23-24].

These portions and the title "Digital Computer System for Operating a Customizable Investment Fund" make it clear the disclosure is, as the appellants argue, using the term "investment fund" to refer to a collective organization. We further note that this usage is supported by the usage in Wikipedia, which, although it does not have an entry for the term "investment fund", does redirect such a query to an article on Collective Investment Schemes and lists an investment fund as one of the embodiments within this entry. Further, we agree with appellants that a customizable investment fund must

be interpreted in the manner understood by those skilled in the art. The artisans would understand that such a fund is not met by an individual investor's portfolio. We agree with appellants that the term customizable investment fund only relates to a securities fund meeting the various regulations required of publicly traded securities. Therefore, we conclude that the term "investment fund" and "investment funds" as used in the claimed subject matter refer to collective organizations that invest funds owned by the collective entity, as argued by the appellants.

Next we determine in what manner Rebane uses the term "investment funds." Three characteristics of its usage in Rebane are clear. First, that the phrase always occurs in the plural and never in the singular, so there is no unambiguous reference to the term "investment fund." Second, all of the references refer to manipulating the value, i.e. the amount of the funds, and not to a collective organization of funds. Third, that all activity in Rebane is with reference to a single entity and not any form of collective entity. Therefore, we conclude that Rebane is using the phrase "investment funds" to mean funds used for investment, and not to a collective investment scheme. Therefore, we do not find the examiner's argument that Rebane teaches a customizable investment fund to be persuasive.

The rejection of these claims can thus be decided on the very narrow question of whether the management of an individual investor's portfolio as taught by Rebane can meet the claim recitation of forming a customizable investment fund. We also agree with appellants that Rebane does not teach the transmission from a first to a second

computer of a custom set of investments as recited in claim 1. Accordingly, we do not sustain the examiner's rejection of claim 1.

Since we have not sustained the examiner's rejection of independent claim 1, we also do not sustain the examiner's rejection of any of the dependent claims 9-15, 20, 25-36 and 40-44 under 35 U.S.C. § 103. With respect to the rejection of claims 2-8, 16-19, 21-24, 37-39 and 45-51 as being unpatentable over the teachings of Rebane and Morris, we will not sustain this rejection of the claims because the examiner has failed to establish a prima facie case of obviousness. The deficiencies in Rebane discussed above render the rejection of these claims improper for the same reasons discussed above. Morris does not overcome these noted deficiencies.

Accordingly, we **do not sustain** the examiner's rejection of claims 1, 9-15, 20, 25-36 and 40-44 under 35 U.S.C. § 103 as being unpatentable as obvious over Rebane or the rejection of claims 2-8, 16-19, 21-24, 37-39 and 45-51 under 35 U.S.C. § 103 as being unpatentable as obvious over Rebane in view of Morris.

New Grounds of Rejection Under 37 CFR § 41.50(b)

Pursuant to 37 CFR § 41.50(b), we enter the following new grounds of rejection:

Independent claim 1 is rejected under 35 U.S.C. § 103 as unpatentable as obvious over Wallman.

Wallman presents the claim limitations of claim 1 as follows:

> A computer-aided method for operating a customizable investment fund [col. 3 line 66 – col. 4 line 4 -- opportunity for investors to invest in a dynamically-changing fund that is actively managed not by a professional

manager but by the constantly and dynamically changing preferences of thousands or millions of investors]

receiving, at a central computer, first digital signals from a first computer specifying a custom set of investments for a fund [Fig 1, first computer and col. 9 lines 6-22];

receiving, at the central computer, second digital signals from a second computer specifying a custom set of investments for the fund [Fig 1, second computer and col. 9 lines 6-22];

generating, at the central computer, digital signals for acquisition of investments consistent with the first digital signals and the second digital signals [col. 9 lines 6-22];

entering transaction data, at the central computer, reflecting the acquisition of said investments [col. 9 lines 6-22]

Wallman does not explicitly refer to accounting, but the claim element of

outputting a separate accounting for each said set of investments within the fund

is essentially met by col. 9 lines 23 to 41 describing the acquisition of investments and the advising of the investors in the fund which implicitly provides an accounting of each set of investments within the fund. In any event, a separate accounting of each investment transaction, and therefore of the acquisition of each investment, is known to those of ordinary skill in the financial investment art to be required to meet the regulatory agencies' audit requirements.

It would have been obvious to one of ordinary skill in the art to have applied conventional accounting techniques to the advisory information accumulated and supplied within Wallman to the remaining claimed subject matter steps performed by Wallman for the purpose of meeting regulatory accounting requirements to meet the limitations of claim 1.

Accordingly, we reject the sole independent claim 1 under 35 U.S.C. § 103 as obvious over Wallman. We leave the consideration of the applicability of this reference to the remaining dependent claims to the examiner.

REMARKS

In addition to Wallman, the examiner should consider Kiron, Luskin, El-Kadi and Durbin in determining the patentability of the remaining dependent claims. Kiron describes the acquisition of equity, interest bearing and derivative assets in creating a synthetic fund of funds. El-Kadi describes a system of collecting investment needs from multiple computers into a single server for an investment fund for benefits processing. Luskin describes an investment fund management system. Durbin describes an investment fund accounting system.

CONCLUSION

To summarize,

- The rejection of claims 1, 9-15, 20, 25-36 and 40-44 under 35 U.S.C. § 103 as being unpatentable as obvious over Rebane is **not sustained**.
- The rejection of claims 2-8, 16-19, 21-24, 37-39 and 45-51 under 35 U.S.C. § 103 as being unpatentable as obvious over Rebane in view of Morris is **not sustained**.
- A new ground of rejection of independent claim 1 under 35 U.S.C. § 103 as obvious over Wallman is entered pursuant to 37 CFR § 41.50(b).

This decision contains a new ground of rejection pursuant to 37 CFR § 41.50(b) (effective September 13, 2004, 69 Fed. Reg. 49960 (August 12, 2004), 1286 Off. Gaz. Pat. Office 21 (September 7, 2004)). 37 CFR § 41.50(b) provides "[a] new ground of rejection pursuant to this paragraph shall not be considered final for judicial review."

37 CFR § 41.50 (b) also provides that the appellants, **WITHIN TWO MONTHS FROM THE DATE OF THE DECISION**, must exercise one of the following two options with respect to the new ground of rejection to avoid termination of the appeal as to the rejected claims:

> (1) Reopen prosecution. Submit an appropriate amendment of the claims so rejected or new evidence relating to the claims so rejected, or both, and have the matter reconsidered by the examiner, in which event the proceeding will be remanded to the examiner . . . .
>
> (2) Request rehearing. Request that the proceeding be reheard under § 41.52 by the Board upon the same record . . . .

No time period for taking any subsequent action in connection with this appeal may be extended under 37 CFR § 1.136(a).

REVERSED AND NEW GROUND OF REJECTION UNDER 37 CFR § 41.50(b)

JERRY SMITH)
Administrative Patent Judge)
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) BOARD OF PATENT
ROBERT E. NAPPI) APPEALS
Administrative Patent Judge) AND
) INTERFERENCES
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)
)
ANTON W. FETTING)
Administrative Patent Judge)

awf/ki

Peter K. Trzyna
P.O. Box 7131
Chicago, IL 60680-7131